

TOWNSHIP
OF
ONONDAGA
(Ingham)
FINANCIAL STATEMENTS
33-1110
JUNE 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Onondaga Township	County Ingham
Audit Date June 30, 2004	Opinion Date October 5, 2004	Date Accountant Report Submitted to State: October 25, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

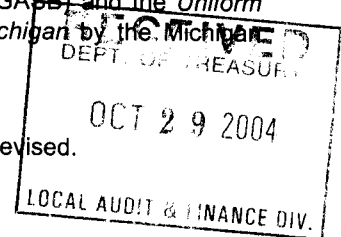
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address 3775 Kimmel Road	City Horton	State MI	ZIP 49246
Accountant Signature Karl L. Drake CPA			



TOWNSHIP OF ONONDAGA

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Onondaga
Ingham County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Onondaga, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Onondaga's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Onondaga as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2004, on our consideration of the Township of Onondaga's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Township Board
Township of Onondaga

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 23 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Onondaga's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

October 5, 2004

This section of the Township of Onondaga's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2004. It is best read in conjunction with the Township's financial statements that follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Onondaga's financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Other Supplemental Information

Reporting The Township As A Whole - Government-Wide Financial Statements

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government public safety, roads, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

Reporting The Township's Most Significant Funds - Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Reporting The Township's Fiduciary Responsibilities -The Township As Trustee

The Township is the trustee, or fiduciary, for its tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township As A Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table I provides a summary of the Township's net assets as of June 30, 2004:

TABLE I	Governmental Activities (In Thousands)
ASSETS	
Current and other assets	\$ 464.3
Capital assets - Net of accumulated depreciation	<u>359.4</u>
TOTAL ASSETS	<u>823.7</u>
LIABILITIES	
Current liabilities	0.0
Long-term liabilities	<u>0.0</u>
TOTAL LIABILITIES	<u>0.0</u>
NET ASSETS	
Invested in property and equipment - Net of related debt	359.4
Restricted	0.0
Unrestricted	<u>464.3</u>
TOTAL NET ASSETS	<u>\$ 823.7</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. Township's net assets were \$823.7 thousand at June 30, 2004. Capital assets, net of related debt totaling \$359.4 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$464.3 thousand) was unrestricted.

The \$464.3 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

TABLE 2	Governmental Activities (In Thousands)
REVENUE	
Program Revenue	
Charges for services	\$ 30.9
Grants and categoricals	0.0
General Revenue	
Property taxes	85.8
State Shared Revenue	214.6
Other	17.7
TOTAL REVENUE	<u>\$ 349.0</u>

FUNCTION/PROGRAM EXPENSES	(In Thousands)
General Government	\$ 147.1
Public Safety	103.4
Roads	36.2
Community Enrichment	0.7
Depreciation (unallocated)	31.4
TOTAL FUNCTION/PROGRAM EXPENSES	318.8
INCREASE IN NET ASSETS	\$ 30.2

As reported in the statement of activities, the cost of all of our governmental activities this year was \$318.7 thousand. Certain activities were partially funded from those who benefited from the programs (\$30.9 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). We paid for the remaining "public benefit" portion of our governmental activities with \$85.8 thousand in taxes, \$214.6 thousand in State Revenue Sharing, and with our other revenues, such as interest and general entitlements.

The Township experienced an increase in net assets of \$30.2 thousand. The key reason for the change in net assets was capitalizable expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the vast majority of the Township's operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

The Township's Funds

As we noted earlier, the Township uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$464.3 thousand, which is an increase of \$61.6 thousand from last year. The primary reasons for the increase are expenditures. The General Fund, our principal operating fund, saw the fund balance increase \$61,607 to \$464,326, which is greater than the budgeted decrease of \$-62,081.

General Fund Budgetary Highlights

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Asset And Debt Administration

Capital Asset

At June 30, 2004, the Township had \$359 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions and disposals) of approximately \$31,367 or 1 percent, from last year.

	<u>2004</u>	<u>2003</u>
Buildings	\$ 131,800	\$ 131,800
Improvements	27,825	27,825
Vehicles	429,700	429,700
Equipment	<u>121,800</u>	<u>121,800</u>
Total Capital Assets	<u>711,125</u>	<u>711,125</u>
Less Accumulated Depreciation	<u>351,675</u>	<u>320,308</u>
Net Capital Assets	<u>\$ 359,450</u>	<u>\$ 390,817</u>

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors And Next Year's Budgets And Rates

Our elected officials and administration considered many factors when setting the Township's 2005 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenues. The Township's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year.

Contacting The Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of the Township of Onondaga with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, P.O. Box 67, Onondaga, Michigan 49264.

TOWNSHIP OF ONONDAGA

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 394,459
Accounts Receivable	67,788
Prepaid Expenditures	<u>2,079</u>
Total Current Assets	<u>464,326</u>
Non-current Assets	
Capital Assets	711,125
Less: Accumulated Depreciation	<u>-351,675</u>
Total Non-current Assets	<u>359,450</u>
TOTAL ASSETS	<u>\$ 823,776</u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ ---
Accrued Salaries and Expenses	---
Accrued Interest	---
Deferred Revenue	<u>---</u>
Total Current Liabilities	<u>---</u>
Non-current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	<u>---</u>
Total Non-current Liabilities	<u>---</u>
TOTAL LIABILITIES	<u>---</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	359,450
Restricted for Debt Service	---
Unrestricted	<u>464,326</u>
TOTAL NET ASSETS	<u>823,776</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 823,776</u>

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 147,078	\$ ---	\$ ---	\$ -147,078
Public Safety	103,381	30,887	---	-72,494
Roads	36,223	---	---	-36,223
Community Enrichment	700	---	---	-700
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	31,367	---	---	-31,367
Total Governmental Activities	\$ 318,749	\$ 30,887	---	-287,862
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 85,771
Property Taxes, Levied for Debt Service				---
State of Michigan Aid, Unrestricted				214,568
Interest Earnings				7,462
Other				10,301
Total General Revenue				318,102
CHANGE IN NET ASSETS				30,240
NET ASSETS - BEGINNING OF YEAR				793,536
NET ASSETS - END OF YEAR				<u>\$ 823,776</u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF ONONDAGA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2004

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 394,459	\$ ---	\$ 394,459
Accounts Receivable	---	---	---
Due from Other Governmental Units	---	---	---
Due from Other Funds	---	---	---
Inventories	67,788	---	67,788
Prepaid Expenditures	---	---	---
	2,079	---	2,079
TOTAL ASSETS	\$ 464,326	\$ ---	\$ 464,326
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ ---	\$ ---	\$ ---
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
TOTAL LIABILITIES	---	---	---
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	---	---	---
Unreserved and Undesignated	464,326	---	464,326
TOTAL FUND BALANCES	464,326	---	464,326
TOTAL LIABILITIES AND FUND BALANCES	\$ 464,326	\$ ---	\$ 464,326
TOTAL GOVERNMENTAL FUND BALANCES			\$ 464,326
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 711,125
Accumulated Depreciation is			<u>-351,675</u>
			359,450
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 823,776

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2004

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 85,771	\$ ---	\$ 85,771
State Grants	214,568	---	214,568
Permits and Licenses	30,887	---	30,887
Interest	7,462	---	7,462
Other	10,301	---	10,301
TOTAL REVENUE	348,989	---	348,989
EXPENDITURES			
General Government	147,078	---	147,078
Public Safety	97,218	---	97,218
Public Works	36,223	---	36,223
Recreational and Cultural	700	---	700
Debt Service	---	---	---
Capital Outlay	6,163	---	6,163
TOTAL EXPENDITURES	287,382	---	287,382
EXCESS OF REVENUE OVER EXPENDITURES	61,607	---	61,607
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
NET CHANGE IN FUND BALANCES	61,607	---	61,607
FUND BALANCES - BEGINNING OF YEAR	402,719	---	402,719
FUND BALANCES - END OF YEAR	\$ 464,326	\$ ---	\$ 464,326

See Accompanying Notes to Financial Statements.

TOWNSHIP OF ONONDAGA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$ 61,607

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense

Capital Outlay

-31,367

-31,367

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 30,240

See Accompanying Notes to Financial Statements.

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2004

	<u>Sewer Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 69,335
Accounts Receivable	<u>---</u>
TOTAL ASSETS	<u>\$ 69,335</u>
 LIABILITIES	
Due to Other Funds	\$ 67,788
Due to Other Entities	880
Due to Other Taxing Units	<u>667</u>
TOTAL LIABILITIES	<u>\$ 69,335</u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF ONONDAGA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Township of Onondaga covers an area of approximately 36 square miles located in Ingham County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds - These funds, used to account for assets held in trust or as an agent for others, include Current Tax Collection Fund and Agency Fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

TOWNSHIP OF ONONDAGA

NOTES TO FINANCIAL STATEMENTS

C. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 14. The County of Ingham prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Ingham County for collection and to be added to the delinquent tax rolls. The County of Ingham purchases delinquent real property taxes of the Township of Onondaga. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This took place in June 2004. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2003 were .9302 mills for operations. Total taxable value of real and personal property in the Township was \$66,590,650.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF ONONDAGA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

Deposits	Book Value	Carrying Amounts
Insured (FDIC)	\$ 300,000	\$ 300,000
Uninsured & Uncollateralized	163,794	186,549
Total Deposits	<u>\$ 463,794</u>	<u>\$ 486,549</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2004.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2004, consisted of the following:

Due To:		Due From:	
General Fund	\$ 65,794	Tax Collection	\$ 65,794
General Fund	<u>1,994</u>	Trust and Agency	<u>1,994</u>
	<u>\$ 67,788</u>		<u>\$ 67,788</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Buildings	131,800	---	---	131,800
Improvements	27,825	---	---	27,825
Vehicles	429,700	---	---	429,700
Equipment	<u>121,800</u>	---	---	<u>121,800</u>
Subtotal	<u>711,125</u>	---	---	<u>711,125</u>
Accumulated depreciation:				
Buildings	25,225	2,775	---	28,000
Improvements	2,783	2,782	---	5,565
Vehicles	215,250	17,450	---	232,700
Equipment	<u>77,050</u>	<u>8,360</u>	---	<u>85,410</u>
Subtotal	<u>320,308</u>	<u>31,367</u>	---	<u>351,675</u>
Net capital assets being depreciated	<u>390,817</u>	<u>-31,367</u>	---	<u>359,450</u>
Net capital assets	<u>\$ 390,817</u>	<u>\$ -31,367</u>	<u>\$ ---</u>	<u>\$ 359,450</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

TOWNSHIP OF ONONDAGA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended June 30, 2004, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Works	\$ 34,500	\$ 36,223	\$ 1,723

NOTE 7 - RETIREMENT PLAN

During the year ended June 30, 2004, the Township did not participate in any retirement plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2004, no claims exist, and no provision has been entered into the accounting records.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ONONDAGA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUES				
Property Taxes	\$ 89,509	\$ 89,509	\$ 85,771	\$ -3,738
State Shared Revenue	224,530	224,530	214,568	-9,962
Permits and Licenses	34,900	34,900	30,887	-4,013
Interest	400	400	7,462	7,062
Other	9,610	9,610	10,301	691
Transfers In	---	---	---	---
TOTAL REVENUES	358,949	358,949	348,989	-9,960
EXPENDITURES				
General Government	151,840	151,840	147,078	4,762
Public Safety	120,090	120,090	97,218	22,872
Public Works	34,500	34,500	36,223	-1,723
Recreation and Culture	1,400	1,400	700	700
Debt Service	---	---	---	---
Capital Outlay	113,200	113,200	6,163	107,037
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	421,030	421,030	287,382	133,648
EXCESS OF REVENUES OVER <UNDER> EXPENDITURES AND OTHER USES	-62,081	-62,081	61,607	123,688
BUDGETARY FUND BALANCE - JULY 1, 2003	402,719	402,719	402,719	---
BUDGETARY FUND BALANCE - JUNE 30, 2004	\$ 340,638	\$ 340,638	\$ 464,326	\$ 123,688

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

TOWNSHIP OF ONONDAGA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes	\$ 89,509	\$ 85,771	\$ -3,738
State Shared Revenue	224,530	214,568	-9,962
Reimbursements	5,200	2,830	-2,370
Permits and Licenses	34,900	30,887	-4,013
Interest	400	7,462	7,062
Cemetery Lots	1,000	2,900	1,900
Hall Rental	2,100	2,786	686
Miscellaneous	1,310	1,785	475
TOTAL REVENUE	358,949	348,989	-9,960
EXPENDITURES			
GENERAL GOVERNMENT			
Township Board	21,850	23,448	-1,598
Supervisor	13,780	13,704	76
Elections	3,350	1,678	1,672
Attorney	5,000	2,995	2,005
Clerk	14,285	14,293	-8
Assessor	15,180	15,310	-130
Auditor	2,000	1,800	200
Treasurer	16,260	15,883	377
Township Hall	21,575	14,326	7,249
Board of Review	1,975	1,677	298
Cemetery	10,300	3,124	7,176
Liquor Inspector	450	---	450
Miscellaneous	835	11,872	-11,037
Insurance	25,000	26,968	-1,968
	\$ 151,840	\$ 147,078	\$ 4,762

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
PUBLIC SAFETY			
Fire Department	\$ 58,700	\$ 58,159	\$ 541
Building Inspector	9,875	7,760	2,115
Electrical Inspector	7,285	5,776	1,509
Mechanical Inspector	7,575	6,615	960
Plumbing Inspector	6,850	3,009	3,841
Planning Commission	17,640	8,832	8,808
Zoning	12,165	7,067	5,098
	120,090	97,218	22,872
PUBLIC WORKS			
Drains	4,000	7,406	-3,406
Roads	25,000	25,000	---
Street Lights	5,500	3,817	1,683
	34,500	36,223	-1,723
RECREATION AND CULTURAL			
Parks and Recreation	1,400	700	700
DEBT SERVICE	---	---	---
CAPITAL OUTLAY	113,200	6,163	107,037
TOTAL EXPENDITURES	421,030	287,382	133,648
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-62,081	61,607	123,688
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	-62,081	61,607	123,688
FUND BALANCE - JULY 1, 2003	402,719	402,719	---
FUND BALANCE - JUNE 30, 2004	\$ 340,638	\$ 464,326	\$ 123,688

TOWNSHIP OF ONONDAGA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

JUNE 30, 2004

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
CURRENT TAX COLLECTION FUND				
ASSETS				
Cash in Bank	\$ -38	\$ 2,125,097	\$ 2,057,718	\$ 67,341
Due from Other Funds	38	---	38	---
TOTAL ASSETS	\$ ---	\$ 2,125,097	\$ 2,057,756	\$ 67,341
LIABILITIES				
Due to Other Funds	\$ ---	\$ 77,341	\$ 10,000	\$ 67,341
Due to Other Taxing Units	---	2,047,756	2,047,756	---
TOTAL LIABILITIES	\$ ---	\$ 2,125,097	\$ 2,057,756	\$ 67,341

AGENCY FUND

ASSETS

Cash in Bank	\$ 1,485	\$ 1,252	\$ 743	\$ 1,994
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LIABILITIES

Due to Other Entities	\$ 880	\$ ---	\$ ---	\$ 880
Due to Other Funds	235	212	---	447
Due to Other Taxing Units	370	1,040	743	667

TOTAL LIABILITIES	\$ 1,485	\$ 1,252	\$ 743	\$ 1,994
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TOTALS - ALL AGENCY FUNDS

ASSETS

Cash in Bank	\$ 1,447	\$ 2,126,349	\$ 2,058,461	\$ 69,335
Due from Other Funds	38	---	38	---

TOTAL ASSETS	\$ 1,485	\$ 2,126,349	\$ 2,058,499	\$ 69,335
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LIABILITIES

Due to Other Entities	\$ 880	\$ ---	\$ ---	\$ 880
Due to Other Funds	235	77,553	10,000	67,788
Due to Other Taxing Units	370	2,048,796	2,048,499	667

TOTAL LIABILITIES	\$ 1,485	\$ 2,126,349	\$ 2,058,499	\$ 69,335
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Township Board
Township of Onondaga

We have audited the general-purpose financial statements of the Township of Onondaga as of and for the year ended June 30, 2004, and have issued our report thereon dated October 5, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Onondaga's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Onondaga's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Township Board, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

Karl L. Drake

Karl L. Drake, P.C.
Certified Public Accountant

October 5, 2004